

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE EFFECTS OF THE FEDERAL TAX)	
REFORM ACT OF 1986 ON THE RATES OF)	
THE UNION LIGHT, HEAT AND POWER)	CASE NO. 9782
COMPANY - ELECTRIC)	

O R D E R

IT IS ORDERED that the Union Light, Heat and Power Company ("ULH&P") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. The information requested herein is due no later than March 27, 1987. If the information cannot be provided by this date, you should submit

a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 1

1. In response to the Commission's Order of December 11, 1986, responding utilities have made numerous adjustments to reflect the affects on revenue requirements of increases and decreases in tax expense resulting from the 1986 Tax Reform Act. In order to allow every utility the same opportunity to address the numerous elements contained in the various filings the following list of issues is provided. The effects of Items (1), (2) and (3) shall be addressed by all utilities. The effects of Items (4) through (20) should be addressed by each utility as applicable. For each item below, provide the dollar amount for each adjustment or, for items omitted, an explanation as to why the information is not being supplied. Include a detailed explanation and workpapers of how each amount was determined and a reconciliation of the sum of these adjustments to the total amount of revenue requirement affect included in the original application.

- (1) Federal tax rate change - 46 to 34 percent.
- (2) Amortization of excess deferred taxes.
 - (a) Depreciation related.
 - (b) Non-depreciation related.
- (3) Unbilled revenues.
- (4) Alternative minimum tax.
- (5) Kentucky income taxes.
- (6) Investment tax credits.

- (7) Capitalized overheads.
- (8) Capitalized interest.
- (9) Depreciation.
- (10) Vacation pay.
- (11) ESOP.
- (12) Pension expense.
- (13) Uncollectible accounts and bad debt reserve.
- (14) Provision for 80 percent of certain business expense deductions.
- (15) Contributions in aid of construction.
- (16) Customer advances for construction.
- (17) Super fund taxes.
- (18) PGAs.
- (19) Cash flow.
- (20) Payroll taxes.

2. Provide any comments you deem appropriate as to the procedure of adjusting rates effective July 1, 1987, to reflect the change in revenue requirements based on the lowering of the top corporate rate to 34 percent.

3. Provide a detailed jurisdictional income statement for the year ended November 30, 1986.

4. Provide a detailed jurisdictional balance sheet for the year ended November 30, 1986.

5. With reference to DIM-2, pages 2-3, provide the detailed workpapers supporting the calculation of adjustments 1-9.

6. With reference to DIM-2, page 4, explain and provide the detailed workpapers supporting the \$576,962 adjustment to interest expense.

7. With reference to DIM-2, page 4, provide the supporting calculations for the following adjustments:

- a. Unbilled Revenues \$1,425,732
- b. Uncollectible Accounts \$ 281,354
- c. Interest Capitalized \$ 71,849

8. With reference to DIM-2, page 5, computation of Kentucky income tax expense, provide the supporting calculations for the following adjustments:

- a. Liberalized Depreciation - Net \$ 1,571
- b. Payroll Taxes - Net \$ <14,915>
- c. Interest Capitalized \$ <5,209>
- d. Unbilled Revenues \$<103,365>

7. With reference to DIM-2, page 5, computation of Federal income tax expense, provide the supporting calculations for the following adjustments:

- e. Federal income tax - prior year adjustment \$ 30,316
- f. Liberalized Depreciation - provision \$<133,046>
- g. Investment Tax Credit - Net \$<176,254>
- h. Payroll Taxes - Net \$ <89,822>
- i. AFUDC - Net \$ <16,994>
- j. Interest Capitalized \$ <26,656>
- k. Unbilled Revenue \$<528,947>
- l. Uncollectible Accounts \$<104,382>

m. Uncollectible Accounts \$ <20,398>

10. Based on the test year revenue and expense levels, provide the cash flow decrease for 1987 if the tax reduction is flowed through.

11. Please explain why no adjustment was made for the excess deferred income taxes that will result from the change in tax rates.

12. Provide the total amount of accumulated deferred income taxes and the aggregate normalized timing differences arising from:

- a. Use of accelerated tax depreciation.
- b. Other book/tax differences.

13. Using the average-rate assumption method, provide a calculation of the excess deferred income taxes due to use of accelerated tax depreciation that will result from the change in tax rates. Include the supporting workpapers.

Done at Frankfort, Kentucky, this 13th day of March, 1987.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director